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SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK In the Matter of the Arbitration Between: Hon. Bernard J. Fried, J.S.C. INTERNATIONAL LEGAL CONSULTING Index No. 11-651773 LIMITED, Claimant/Petitioner, - against -REPLY AFFIDAVIT OF EDNAN AGAEV MALABU OIL AND GAS LIMITED; and JPMORGAN CHASE & CO. and all of its subsidiaries and affiliates including but not limited to JPMORGAN CHASE BANK, N.A., Respondents.

Ednan Agaev, being duly sworn, deposes and says:

- 1. I am a representative of Claimant/Petitioner International Legal Consulting Limited ("ILC") under Power of Attorney. I make this reply affidavit in further support of ILC's motion for a preliminary injunction and ILC's motion to confirm the order of attachment in aid of arbitration entered by this Court on June 28, 2011 (the "Order of Attachment"), both of which are in aid of ILC's pending arbitration in London against Respondent Malabu Oil and Gas Limited ("Malabu"), a Nigerian corporation. I am fully familiar with the matters stated herein based on personal knowledge and a review of documents maintained in my office.
 - 2. As described in ILC's Amended Petition, ILC's claim against Malabu, which is

the subject of an arbitration commenced in London, is for Malabu's failure to pay ILC a "Success Fee" in the approximate amount of \$65.5 million as a result of ILC's services for the transfer of Malabu's rights to an oil prospecting license over oil block OPL 245 (the "OPL Assets") in Nigeria for which Malabu was paid approximately \$1.1 billion. Despite ILC's demand for payment of the Success Fee, Malabu has refused to pay the Success Fee to ILC. In order to prevent an eventual London arbitration award in ILC's favor against Malabu from being rendered ineffectual, ILC seeks an order: (1) granting a preliminary injunction enjoining and restraining respondent Malabu and respondents JPMorgan Chase & Co. ("JPMC") and all of JPMC's subsidiaries and affiliates including but not limited to JPMorgan Chase Bank, N.A. ("JPMC Bank") (collectively, the "JPMC Entities") from transferring, selling, assigning, charging, or disposing of assets of Malabu to the extent of \$65,522,400, wherever located, including but not limited to \$65,522,400 of the approximately \$1.1 billion in proceeds from the transfer of Malabu's rights to an oil prospecting license over oil block OPL 245 in Nigeria held in the depository account at JPMC Bank that is the subject of the Depository Agreement dated May 20, 2011 between the Federal Government of Nigeria (the "FGN") and JPMC Bank (the "Depository Account"); and (2) confirming the Order of Attachment and, in particular, the attachment of the debt owed by JPMC Bank to Malabu and the attachment of funds in the Depository Account, to the extent of \$74,695,936.00 (i.e., the amount set forth in the Order of Attachment).

3. I have read the papers filed by JPMC in opposition to ILC's pending motions. Contrary to JPMC's assertions, it is clear that the funds in the Depository Account belong to Malabu, and that those funds are proceeds from the transfer of Malabu's rights to the OPL Assets. Reputable business organizations such as Shell and Agip did not want to enter into a

commercial relationship with Malabu/Etete for a variety of reasons, and the FGN was interested in having OPL 245 operating so that it would generate royalties for the FGN. Therefore, a complex transaction was structured whereby all claims relating to OPL 245 were settled and payment of the proceeds of the sale were ultimately transferred to the FGN acting, not on its own behalf, but as an escrow agent or nominee for Malabu/Etete, as explained below.

The Resolution Agreements and Transfer of OPL 245

- 4. In late April 2011, Malabu entered into an agreement with FGN, entitled the "Block 245 Malabu Resolution Agreement" and dated April 29, 2011 (the "Malabu Resolution," a copy of which is attached hereto as Exhibit A). At or about the same time, FGN entered into an undated, related agreement, entitled the "Block 245 Resolution Agreement" (the "Block 245 Resolution," a copy of which is attached hereto as Exhibit B) with Shell Nigeria Ultra-Deep Limited ("SNUD"), Nigerian AGIP Exploration Limited ("NAE"), and Shell Nigeria Exploration and Production Company Limited ("SNEPCO"). (The Malabu Resolution and the Block 245 Resolution are collectively referred to herein as the "Resolution Agreements.") Upon information and belief, a third related agreement was entered into between Malabu and SNUD, and a fourth related agreement was entered into between the FGN and SNUD, for the purpose of settling claims and facilitating the transfer of OPL 245, neither of which agreements ILC has in its possession.
- 5. The Resolution Agreements followed a long history of disputes and legal proceedings concerning conflicting claims to OPL 245 among FGN, NNPC, Malabu and SNUD. Significantly, the Resolution Agreements (and, upon information and belief, the related Malabu/SNUD and FGN/SNUD agreements) provide that: (1) NAE, for itself and SNEPCO, an affiliate of SNUD, agrees to pay \$1,092,040,000 to FGN for the rights to OPL 245; (2) FGN

agrees to pay Malabu \$1,092,040,000; (3) Malabu waives all claims, interests or rights regarding OPL 245 and consents to FGN's allocating those interests to NAE and SNEPCO; and (4) the parties with existing adverse claims regarding OPL 245 dismiss the claims and release each other. Specifically:

- Upon execution of the Block 245 Resolution, the FGN caused the allocation of Block 245 in favor of SNEPCO and NAE. See Ex. B, Block 245 Resolution, at ¶ 1.2.
- Following execution of the Block 245 Resolution, SNUD and the FGN were to issue to the escrow agent under a December 22, 2003 Escrow Agreement (JPMorgan Chase Bank) a notice terminating that agreement, with an instruction to pay a Signature Bonus of \$207,960,000 into the "FGN Receiving Account" and the balance of the funds into the "Shell Receiving Account." Id. at ¶ 2(i).
- Five business days after execution of the Block 245 Resolution (May 6, 2011), the FGN and NAE were to enter into "Escrow Agreement No. 2" with a bank of international standing. <u>Id.</u> at ¶ 2(ii).
- Eight business days after execution of the Malabu Resolution (May 11, 2011), Malabu was to execute a settlement agreement with SNUD. See Ex. A, Malabu Resolution, at ¶ 2(i). Following execution of the settlement agreement, Malabu was to file the settlement agreement and a Notice of Discontinuation of Suit No. CA/A/25M/2003 (SNUD v. The House of Representatives and Malabu) at the "Court of Appeal" (the "Notice"). Id. Malabu was then to deliver to the FGN a certified copy of the Notice with the executed settlement agreement. Id. at ¶ 2(ii).
- Seven business days after the payment of the Signature Bonus, the FGN was to grant the oil prospecting license for Block 245 to SNEPCO and NAE. See Ex. B, Block 245 Resolution, at ¶ 1.3.
- Seven business days after payment of the Signature Bonus, NAE was to appoint an escrow agent for the purpose of paying \$1,092,040,000 to the FGN for purposes of settling "all and any existing claims and/or issues over Block 245." Id.
- Five business days after issuance of the oil prospecting license for Block 245 to SNEPCO and NAE, NAE was to wire transfer \$1,092,040,000 to the account opened under Escrow Agreement No. 2. See Ex. B, Block 245 Resolution, at ¶ 3. The FGN was then to provide SNEPCO and NAE with a letter confirming that it has achieved full and final resolution of all claims and

issues in dispute over Block 245 and obtained a release of all such claims from all relevant parties. <u>Id.</u> Upon receipt of this letter, NAE and SNEPCO were to issue a notice to the escrow agent to terminate Escrow Agreement No. 2 with an instruction to pay \$1,092,040,000 into the "FGN Escrow Account," as defined in Escrow Agreement No. 2. Id.

- Five business days after the later of (i) FGN's allocation and issuance of the oil prospecting license for Block 245 to SNEPCO and NAE and (ii) Malabu's delivering a copy of the Notice and executed settlement agreement to the FGN, the FGN was to pay Malabu \$1,092,040,000. See Ex. A, Malabu Resolution, at ¶ 2(iii).

A flow chart showing the obligations under the Resolution Agreements is attached hereto as Exhibit C, and is also described in a July 17, 2011 letter from counsel for Energy Venture Partners ("EVP") to JPMC's counsel (a copy of which is attached hereto as Exhibit D) in connection with the case of Energy Venture Partners Limited v. Malabu Oil and Gas Limited, Claim No. 2011 Folio 972 (the "EVP Case") pending in England.

The Depository Account and Depository Agreement

- 6. During the limited discovery in this case, JPMC produced to ILC a copy (albeit incomplete) of the Depository Agreement, a copy of which is attached hereto as Exhibit E. The Depository Agreement plainly shows that the funds in the Depository Account belong to Malabu and are proceeds from the transfer of Malabu's rights to the OPL Assets. As an initial matter, the first two recitals at the beginning of the Depository Agreement refer to the Malabu Resolution and FGN's obligations thereunder (i.e., to pay Malabu) by stating as follows:
 - Whereas A. the Depositor [FGN] has entered into a resolution agreement dated

 29 April 2011 in respect of Oil Prospecting License 245 (the

 "Agreement");
 - B. the Depositor has certain obligations pursuant to the Agreement; . . .

See Ex. E at 5. Shortly after the Depository Agreement was entered into, \$1,092,040,000 – the very same amount that Malabu was to receive for the transfer of its rights to the OPL Assets – was deposited into the Depository Account. See JPMC Memorandum of Law in opposition to ILC's pending motions ("JPMC Opp. Memo"), at 3. In that regard, Response 2(b) of JPMC's responses to ILC's interrogatories (a copy of which is attached hereto as Exhibit F) states that the \$1,092,040,000 that was deposited into the Depository Account was transferred from "Escrow Account No. 2" – which is apparently the account described in paragraph 3 of the Block 245 Resolution (i.e., "... the account opened in accordance with Escrow Agreement no. 2...") and into which NAE was to deposit \$1,092,040,000 for the rights to OPL 245 (see Ex. B, Block 245 Resolution, at ¶ 3).

7. The Depository Agreement describes Schedule 2 to the Depository Agreement as specifying "beneficiary" information with regard to whom the Depository [JPMC Bank] was to release funds from the Depository Account. See Ex. E at 6. However, Schedule 2 was conspicuously missing from the copy of the Depository Agreement produced by JPMC's counsel, and JPMC's counsel thereafter told ILC's counsel that "there is no Schedule 2" in response to ILC's counsel's request for a copy of same. See Ex. G, August 11, 2011 letter from Donald J. Kennedy to Robert Houck; Ex. H, August 11, 2011 email from Robert Houck to Donald J. Kennedy. Further, language in the Depository Agreement makes it obvious that the FGN is Malabu's agent with regard to the Depository Account, as the Depository Agreement states in relevant part: "... notwithstanding that the Customer [FGN] may be acting as agent on behalf of another person..." See Ex. E, at 20, ¶ 2.

Relevant Procedural History of This Case and the EVP Case in England

8. Among the entities on which the New York City Sheriff's Office served the Order

of Attachment and papers in support thereof are JPMC, JPMC Bank and the FGN. <u>See</u> Exhibit I, copies of affidavits of service with regard to service on JPMC, JPMC Bank and FGN.

- 9. It is my understanding that JPMC did not sign and submit a garnishee's statement as required by CPLR § 6219 and the Order of Attachment. A garnishee statement, dated July 13, 2011 (a copy of which is attached hereto as Exhibit J), was instead submitted by JPMC's New York counsel, Clifford Chance US LLP, and it does not appear that the garnishee statement was signed by a Clifford Chance partner or verified by JPMC. The substance of the Clifford Chance garnishee statement is that JPMC does not hold any accounts or property of Malabu and does not hold any debt owed to Malabu (see Ex. J), but the basis of that knowledge is unknown.
- in England against Malabu in the amount of \$215 million (a copy of which is attached hereto as Exhibit K). Thereafter, upon information and belief, JPMC in London notified EVP that it had restrained \$215 million out of the approximately \$1.1 billion in the escrow account representing the proceeds of the transfer of Malabu's rights to the OPL Assets in Nigeria established for the benefit of Malabu and/or in the separate Depository Account in the name of the Federal Government of Nigeria into which the \$1.1 billion proceeds of the sale of the OPL Assets were transferred.
- 11. On July 14, 2011, ILC filed an Amended Verified Petition for Order of Attachment Without Notice, and for a Preliminary Injunction, in Aid of Arbitration, dated July 14, 2011 (the "Amended Petition," a copy of which is attached hereto as Exhibit L) pursuant to CPLR §7502(c), as well as a motion for a temporary restraining order ("TRO") and a preliminary injunction.
 - 12. ILC's application for a TRO was granted after a hearing on

July 15, 2011. On July 15, 2011, this Court entered an Order to Show Cause With Temporary Restraining Order, a copy of which is attached hereto as Exhibit M, which contains a temporary restraining order stating that: "... pending the hearing of this motion for a preliminary injunction, respondents Malabu and the JPMC Entities are temporarily enjoined and prohibited from transferring, selling, assigning, charging, disposing of assets of Malabu to the extent of \$65,522,400, wherever located, including \$65,522,400 of the approximately \$1.1 billion in proceeds from the transfer of Malabu's rights to an oil prospecting license over oil block OPL 245 ("OPL 245") in Nigeria held in the escrow account or depository account at JPMorgan Chase & Co. which has been frozen in England which is to be identified within 3 business days, including but not limited to any account at JPMorgan Chase Bank, N.A., in the name of the Federal Government of Nigeria, not for the Federal Government of Nigeria's own account but for the benefit of Malabu and/or Malabu's principal, Dan Etete a/k/a Dauzia Loya." See Ex. M, July 15th Order to Show Cause With Temporary Restraining Order, at 2-3. JPMC has produced in discovery a copy of a Power of Attorney by Malabu (a copy of which is attached hereto as Exhibit N) authorizing Etete to act on Malabu's behalf in connection with the transfer of Malabu's rights to the OPL Assets.

13. At the July 15, 2011 hearing of ILC's application for a temporary restraining order, JPMC's counsel emphasized that a London court (in the EVP Case) was considering whether Malabu is the beneficiary of the Depository Account, and that JPMC was not taking a position and was essentially a stakeholder:

MR HOUCK:

So, your Honor, the main point that I think is very important here is that there is a London court considering whether or not Malabu has any claim to this account held by the Federal Government of Nigeria and our garnishee statement that we submitted —

THE COURT:

Well, you simply argue that - if I understand it correctly, and I've just seen these for the first time now - - there is not enough information to make any statement about whether Malabu is so interested, and you don't admit or accept that they are. You, obviously, take no position. You don't know whether they are or not. You're like a stakeholder here, right?

MR. HOUCK:

Correct, we don't take a position, but we do know the London Court is considering this very issue right now, and we think the appropriate thing is for the claimants to go to London where another entity identically situated is looking at the very same issue.

THE COURT:

What is the situation in London? You told me there was a freeze that is either in effect or it's been applied for with a British Court.

MR. HOUCK:

So, another entity, which is also seeking a success fee from Malabu for precisely the same piece of land as sought and obtained a freezing of money and I believe that freezing order is an

attachment to the claimant's papers.

THE COURT:

I thought you said the restraint or the attachment has been granted

in London? Or is it a pending proceeding?

MR. HOUCK:

It's a pending proceeding, but there's a freezing currently; and my understanding is there's supposed to be an evidentiary hearing of some sort late next week to consider who the beneficiary is or whether or not Malabu, among other things, whether or not Malabu

has been a beneficiary of that account.

THE COURT:

And that's the same account?

MR. HOUCK:

Correct.

See Exhibit O, Transcript of July 15, 2011 TRO hearing, at 14:6-10, 20-26; 15:2-6; 24:9-20; and 25:3-13.

14. In connection with the London freezing order obtained by EVP in their case against Malabu (i.e., the EVP Case), ILC's counsel received an email on Saturday, July 16, 2011 (the day after the TRO hearing), from Alejandra de Urioste of Clifford Chance, advising that: "In relation to the interim injunction and worldwide freezing order obtained in England against Malabu by Energy Venture Partners Limited, JPMorgan have lodged an application before the

court which seeks, inter alia, clarification as to whether that freezing injunction incises on the accounts it currently maintains for the Federal Government of Nigeria. . . " A copy of Ms. de Urioste's July 16th email, with JPMC Bank's application in the EVP Case attached, is attached hereto as Exhibit P.

- 15. JPMC Bank's application in the EVP Case in London states, among other things, that:
 - a) JPMC Bank holds funds in the amount of approximately \$1,092,040,000 pursuant to the terms of the Depository Agreement. See First Affidavit of I.D. Roxborough (of Clifford Chance London LLP), dated July 15, 2011 (the "First Roxborough Affidavit"), at ¶ 9, a copy of which is attached to the July 16th de Urioste email and as Exhibit Q hereto.
 - b) JPMC Bank understands that the funds in the depository account represent, or may represent, the proceeds of the issuance of OPL Assets to certain oil companies. See Ex. Q, First Roxborough Aff., at ¶ 10.
 - c) Malabu's London lawyers, by letter dated July 15, 2011 (a copy of which is attached hereto as Exhibit R), have taken the position that "Malabu has a contractual right to receive sums from the Federal Government of Nigeria.

 Malabu understands that those sums may be paid from funds held by JPMorgan on behalf of the FGN [Federal Government of Nigeria]..." See Ex. Q, First Roxborough Aff., at ¶ 14(d).
 - d) On July 8, 2011, JPMC Bank received a letter purportedly from the Permanent Secretary of the Federal Ministry of Finance of the FGN (a copy of which is attached hereto as Exhibit S), containing an "urgent" request that JPMC Bank

transfer \$877,040,000 from the above mentioned depository account to an account held by Malabu, leaving a balance of \$215,000,000. See Ex. Q, First Roxborough Aff., at ¶ 16. JPMC Bank did not act on those instructions because it did not consider them valid instructions.

- e) On July 15, 2011, Aliyu Ismaila, purportedly of the Federal Ministry of Finance within the FGN, sent an email to JPMC Bank's representatives (a copy of which is attached hereto as Exhibit T), indicating that a further instruction had been sent by DHL to JPMC Bank for the transfer of \$802,040,000 from the above mentioned depository account to an account of Malabu. See Second Affidavit of I.D. Roxborough, dated July 15, 2011 (the "Second Roxborough Affidavit"), at ¶ 6, a copy of which is attached to the July 16th de Urioste email and as Exhibit U hereto. This email is highly suspect in that it is not sent from a Federal Ministry of Finance email account in Nigeria, but instead sent from a private aol account in the U.K.
- by EVP in the EVP Case should not prevent JPMC Bank from complying with a valid instruction it may receive from its customer, the FGN, to transfer funds from the above-referenced depository account to any party because JPMC Bank has taken the position that the funds which it holds are not Malabu's funds as defined by paragraph 6 of the July 3, 2011 freezing order. See Skeleton Argument of the Applicant, dated July 15, 2011, at ¶ 27, a copy of which is attached to the July 16th de Urioste email and as Exhibit V hereto.

Funds In The Amount Of \$801,540,000 Were, According To JPMC, Transferred From The Depository Account To Malabu

- On July 29, 2011, the English court issued an order (the "July 29 EVP 16. Order," a copy of which is attached hereto as Exhibit W) granting EVP's application to continue the injunctions contained in the July 3, 2011 freezing order, as modified. The July 29 EVP Order indicates that the English court considered, among other papers, papers submitted on behalf of JPMC Bank and papers submitted by FGN. See Ex. W at 1-2. Although ILC does not possess a copy of the papers submitted by the FGN in that case, it appears that the issue of whether sovereign immunity prevented an injunction from being issued with respect to the Depository Account was presented to the English court, as a letter dated July 16, 2011 purportedly from the Attorney General of the Federation and Minister of Justice of Nigeria to EVP's lawyers (a copy of which is attached hereto as Exhibit X) raised the issue of sovereign immunity and requested that EVP's lawyers bring that letter to the attention of the English court, and EVP's counsel did so (see Third Witness Statement of Rosemary Rachel Parlane (EVP's counsel), dated July 17, 2011, at ¶¶ 11 and 12, a copy of which is attached hereto as Exhibit Y). The July 16th Nigerian Attorney General letter is further evidence that the funds in the Depository Account belong to Malabu, as the letter states in relevant part that "[t]he FGN has issued payment instructions to J.P. Morgan Chase Bank N.A to pay US\$802,040,000.00 to Malabu." See Ex. X at ¶ 3(iii).
- 17. Following the issuance of the July 29 EVP Order, according to JPMC's responses to ILC's interrogatories, on August 5, 2011 JPMC Bank transferred \$215,000,000 from the Depository Account into court in connection with the EVP Case. See Ex. F, JPMC Interrogatory Response 2(c). Further, following the issuance of the July 29 EVP Order, according to JPMC's responses to ILC's interrogatories, on August 23, 2011 JPMC Bank transferred \$801,540,000

from the Depository Account to two Malabu bank accounts in Nigeria. See Ex. F, JPMC Interrogatory Response 2(d). Additionally, according to JPMC's responses to ILC's interrogatories, the current balance in the Depository Account is \$74,840,931.39 (see Ex. F, JPMC Interrogatory Response 2(e)), which is approximately the amount stated in this Court's Order of Attachment (i.e., \$74,695,936) and which is presumably being left in that account pending the outcome of ILC's instant motions.

ILC's Proposals That JPMC Bank Or Malabu Deposit \$74,695,936 (the Amount Stated in the Order of Attachment) Into Court Pending the Outcome of the Arbitration Between ILC and Malabu

- 18. By letter dated July 18, 2011 from ILC's counsel to New York counsel for the JPMC Entities (a copy of which is attached hereto as Exhibit Z), ILC proposed that JPMC Bank deposit \$74,695,936 (the amount stated in the Order of Attachment) into court pending the outcome of the arbitration between ILC and Malabu, in exchange for which ILC would consent to vacating the TRO. ILC renewed that proposal by letters dated August 12 and 26, 2011 from ILC's counsel to JPMC's counsel, copies of which are attached hereto as Exhibits AA and BB, respectively. However, to date, ILC has not received a formal response to its proposal. As stated in ILC's counsel's August 26th letter to counsel for the JPMC Entities, given JPMC Bank's transfer of funds from the Depository Account into court on behalf of Malabu in the EVP Case, and in light of the fact that the funds subject to the TRO are in the exact same account, it is inconsistent for JPMC Bank to refuse to agree to ILC's proposal to similarly deposit funds into court in this case pending the outcome of the arbitration between ILC and Malabu.
- By letter dated August 17, 2011 from ILC's counsel to counsel for Malabu (a copy of which is attached hereto as Exhibit CC), ILC proposed that Malabu deposit the amount stated in the Order of Attachment into court pending the outcome of the arbitration between ILC

and Malabu, in exchange for which ILC would consent to the lifting of the TRO and the Order of Attachment. However, to date, ILC has not received a formal response to that proposal.

ILC's Request For Arbitration And The Arbitrator's Lack of Authority To Issue An Order Binding On Non-Parties To The Arbitration, Such As JPMC Bank

- On July 22, 2011, ILC submitted its request for arbitration against Malabu (the "Request for Arbitration," a copy of which is attached hereto as Exhibit DD) to the London Court of International Arbitration (the "LCIA"). Pursuant to this Court's instructions at the TRO hearing, in the Request for Arbitration, ILC submitted to the sole arbitrator (whom I expect will be appointed shortly) the issue of whether the TRO in this case should be continued, assuming that the arbitrator has the authority to do so. See Ex. DD, at 3. However, ILC has since learned that a LCIA arbitrator would not have authority to issue an order binding on non-parties to the arbitration, such as JPMC Bank. (As noted above, an arbitrator has yet to be appointed, but I expect that one will be appointed shortly.) Accordingly, since the TRO is binding on the JPMC Entities, who are non-parties to the arbitration and since the arbitrator will not have authority to issue an order as to whether the TRO should be continued which would be binding on the JPMC Entities ILC respectfully requests that the Court grant ILC's pending motions in order to prevent an eventual arbitration award in ILC's favor against Malabu from being rendered ineffectual.
- 21. Based on my extensive experience with this transaction and based on the documents attached to this affidavit, it is beyond any doubt that the funds in the Depository Account are Malabu funds. Moreover, I would point out that the FGN has not made any claims to these funds in New York, nor has it submitted any documents or statements under penalty of perjury establishing that the funds in the Depository Account belong to the FGN.

Russian Federation
City of Moscow
Embassy of the
United States of America
Consular Section

Ednan Agaev

Sworn to before me this day of September, 2011

Notary Public
PRACIE C. MARSH
CONSULAR ASSOCIATE